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to section 86-1.58 of this Subpart. A capital per diem payment shall be computed on the basis of allowable budgeted capital costs allocated to the unit divided by budgeted days in the unit, reconciled to actual certified capital expense divided by actual days. A [primary] health care services allowance of [-23] 414 percent of the hospital's non-Medicare reimbursable inpatient costs for rate year 1994 and 537 percent for rate year 1995 computed without consideration of inpatient uncollectible amounts and after application of the trend factor described in section 86-1.58 shall be added to the rate. AIDS Centers that do not comply with the provisions of Part 405 of this Title with regard to the provision of inpatient, outpatient community and support services for the screening, diagnosis, treatment, care and follow-up of patients with AIDS shall have their rates of payment prospectively adjusted to reflect services not being provided in accordance with Part 405 of this Title from the time the services were not being provided in accordance with Part 405 of this Title.

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(e) ~~reserved~~ [~~Exempt inpatient psychiatric unit rates of payment.~~

~~(1)(i) The rates of payment effective January 1, 1994 through December 31, 1995. Payments made pursuant to this subdivision and section 86 1.64(c) of this Subpart shall be exempt inpatient psychiatric services. Hospitals shall be phased in to payment pursuant to this methodology over a five year period. The phase in shall be based on factors that shall include but not be limited to:~~

~~(a) size,~~

~~(b) Psychiatric Emergency Care status,~~

~~(c) teaching status,~~

~~(d) geographical location,~~

~~(e) number of inpatient psychiatric admissions, and~~

~~(f) sponsorship (i.e., public, voluntary, or proprietary)]~~

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~~[(ii)(a) Hospitals shall be phased in groups as follows:~~

<del>Group</del>	<del>Rate Adjustment</del>	<del>Effective Date</del>	<del>SPARC Data</del>	<del>Collection Pool</del>
<del>I</del>	<del>July 1, 1990</del>	<del>October 1, 1989</del>	<del>March 31, 1990</del>	
<del>II</del>	<del>January 1, 1992</del>	<del>July 1, 1991</del>	<del>October 1, 1991</del>	
<del>III</del>	<del>July 1, 1992</del>	<del>October 1, 1991</del>	<del>March 31, 1992</del>	
<del>IV</del>	<del>July 1, 1993</del>	<del>October 1, 1992</del>	<del>March 31, 1993</del>	

~~(b) The phase in for Group II shall be preceded by promulgation by the Office of Mental Health of revised standards for outpatient psychiatric services and receipt by the members of the State Hospital Review and Planning Council Fiscal Policy Committee, on or before June 30, 1991, of an evaluation report assessing the impacts of the methodology. The phase in for Group III shall be preceded by receipt by the members of the State Hospital Review and Planning Council and Fiscal Policy Committee on or before April 1, 1992 of an evaluation report by the Office of Mental Hygiene (OMH) and the Commission on Quality of Care for the Mentally Disabled assessing the impact of the methodology on patients and their families.~~

~~(c) For purposes of this section, SPARCS shall mean the statewide centralized system of data as defined in section 400.18(a) of this Title.~~

~~(2) For services provided to individuals in an exempt inpatient psychiatric unit phased in pursuant to paragraph (1) of this subdivision, licensed to provide such services by the Department of Health and the Office of Mental Health (see section 31.02 of the Mental Hygiene Law and Part 580 of 14 NYCRR), the hospital shall receive an adjusted per diem which shall consist of:~~

~~(i) an operating per diem cost component calculated pursuant to subdivision (c) of this section weighted for patient category and level of care pursuant to section 86-1.64(c) of this Subpart.]~~

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~~{(ii) an add on component for providing the discharge planning services pursuant to section 86 1.64(c)(10) of this Subpart;~~

~~(iii) a capital per diem cost component developed pursuant to subdivision (c) of this section; and~~

~~(iv) a health care services allowance of .614 percent for rate year 1994 and .637 percent for rate year 1995 of other hospital's non Medicare reimbursable inpatient costs computed without consideration of inpatient uncollectible amount and after application of the trend factor described in section 86 1.58.]~~

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Exempt psychiatric units shall also be found by the Office of Mental Health to meet psychiatric emergency admission criteria (see section 9.39 of the Mental Hygiene Law), or request in writing and receive approval from the Commissioner of Mental Health for a waiver from the requirement to provide emergency services (see section 31.04 of the Mental Hygiene Law) or demonstrate an ability to comply in the future with emergency admission criteria by submitting in writing to the Commissioner of Mental Health plans for the compliance with such criteria and receiving approval for such plans. The patient category and level of care weights, which constitute the case mix adjustment, shall be calculated from calendar year 1988, SPARCS psychiatric patient data. A single case weighted per diem shall be calculated and adjusted semi-annually commencing July 1, 1990 for those hospitals phased in pursuant to paragraph (1) of this subdivision. The first adjustment shall be made based on SPARCS data for patients with the principal diagnosis codes specified in paragraph 3 of this subdivision reported during the period October 1, 1989 through March 31, 1990, with subsequent semi-annual adjustments based on the next six months' SPARCS data following the March 31, 1990 data submissions. Hospitals that are phased in subsequent to this period shall receive their initial rate adjustments based on SPARCS data submissions pursuant to the timeframes specified in paragraph (1) of this subdivision. Subsequent semi-annual adjustments shall be made based on the next six months' SPARCS data following the March 31st data submissions. The single case weighted per diem payment shall be based on each hospital's own current patient mix, average length of stay and patient readmission rate compared with the hospital's performance in these categories during the base year.

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~~{(3) International Classification of Diseases. The following codes are taken from volume 3 of the International Classification of Diseases, 9th Revision, Clinical Modification. (ICD 9 CM) Codes for Mental Health.~~

~~(i) Mental Illness (ii) Non Psychotic Mental Illness~~

<del>290 290.99</del>	<del>300 302.99</del>
<del>293 302.99</del>	<del>306 309.99</del>
<del>306 319.99</del>	<del>311 316.99</del>
<del>331.0 331.29</del>	
<del>758.0 758.29</del>	<del>780.1</del>
<del>780.1</del>	<del>780.5 780.59</del>
<del>780.5 780.59</del>	<del>784.6 784.69</del>
<del>784.6 784.69</del>	<del>797 797.99</del>
<del>797 797.99</del>	<del>799.2</del>
<del>799.2</del>	<del>v 11.0 v 11.29</del>
<del>v 11.0 v 11.29</del>	<del>v 11.8 v 11.99</del>
<del>v 11.8 v 11.99</del>	<del>v 40.0 v 40.99</del>
<del>v 40 v 40.99</del>	<del>v 71.01 v 71.09</del>
<del>v 71.01 v 71.09</del>	<del>v 79.0 v 79.09</del>
<del>v 79.0 v 79.09</del>	<del>v 79.2 v 79.99</del>
<del>v 79.2 v 79.99</del>	

~~(iii) Major Mental Illness (iv) Organic Mental Illness}~~  
~~Persistent & Acute)~~  
~~Categories~~

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<del>295</del>	<del>299.99</del>	<del>290</del>	<del>290.99</del>
<del>317</del>	<del>319.99</del>	<del>293</del>	<del>294.99</del>
<del>758.0</del>	<del>758.19</del>	<del>310</del>	<del>310.99</del>
		<del>331.0</del>	<del>331.29</del>

[f] (e) Comprehensive cancer hospitals. Hospitals services, except for bone marrow transplantation services, provided in a comprehensive cancer hospital shall be reimbursed on the basis of a per diem calculated pursuant to [section] subdivision 86-1.81 (b) of this Subpart. A separate per diem rate shall be calculated, pursuant to subdivision 86-1.81(c) of this Subpart, upon the request of a comprehensive cancer center therefor, for bone marrow transplantation services provided in comprehensive cancer hospitals.

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86-1.58 Trend Factor. (a) The commissioner shall establish trend factors for hospitals to project the effects of price movements on historical operating costs. Rates of payment excluding capital, as calculated pursuant to the provisions of section 86-1.52 of this Subpart, shall be trended to the applicable rate year by the trend factors developed in accordance with the provisions of this section.

(b) The methodology for establishing the trend factors shall be developed by a panel of four independent consultants with expertise in health economics or reimbursement methodologies for health-related services appointed by the commissioner.

(c) The methodology shall include the appropriate external price indicators and the data from major collective bargaining agreements as reported quarterly by the Federal Department of Labor, Bureau of Labor Statistics, for nonsupervisory employees.

(d) The commissioner shall implement one prospective interim annual adjustment to the trend factors, based on recommendations of the panel, effective on January first, one year after the initial trend factor was established and one prospective final annual adjustment to the trend factors based on recommendations of the panel to be effective on January first, two years after the initial trend factor was established. Such adjustment shall reflect the price movement in the labor and nonlabor components of the trend factor. At the same time adjustments are made to the trend factors in accordance with this subdivision, adjustments shall be made to all inpatient rates of payment affected by the adjusted trend factor.

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### TREND AND ROLL FACTORS

The authorization of an independent Panel of Health Economists to develop trend factors used in the DRG case payment methodology is continued by statute. The following are the major components of the trend factor methodology as adopted by the Panel of Health Economists. ~~[Proxies adopted by the panel may change when data upon which a proxy is based becomes unavailable.]~~

The actual proxies used in the calculation of the trend factor are listed in Appendix I. The proxies adopted by the Panel as listed in Appendix I may change retroactively to the beginning of the year when data upon which a proxy is based becomes unavailable or by recommendation of the Panel of Health Economists who statutorily are authorized to determine the trend factor methodology.

#### Projection Methodologies

~~[Salaries]~~ Labor In order to quantify the ~~[salary]~~ labor price movement component of the trend factor, ~~[four]~~ national salary proxies are used, adjusted by a Regional Adjustment Factor (RAF) to estimate the New York experience. These ~~[four]~~ proxies are weighted to produce a composite ~~[salary]~~ labor price movement. (Separate weightings are used for teaching and non-teaching hospitals and the Health and Hospitals Corporation). In calculating the initial and revised trend factors for a given year, a projection methodology for ~~[salary]~~ labor price movement is used since actual data for the year are not yet published. The projections are based on the compounding of quarterly increases in the ~~[salary]~~ proxies for the four latest available quarters of data. The final trend factor calculations are based on actual proxy data for the trend factor year compared to the preceding year.

All but one of the labor proxies measure increases in compensation and therefore reflect changes in both salaries and fringe benefits. The labor proxy which measures only changes in wage and salaries is adjusted by a Compensation Factor (the ratio of the percent change in the Employment Cost Index - Compensation to the Employment Cost Index-Wages and Salaries to incorporate fringe benefit changes.

~~[Fringe Benefits]~~ The trend factor methodology uses a Total Compensation Factor (TCF) that measures the relationship between increases in total compensation (i.e., salaries and fringe benefits) and increases in salaries. This factor is then applied to the composite salary price movement to yield a total compensation price movement, hence reflecting the fringe benefits. In calculating the initial trend factor for a given year, the TCF is projected based on the latest four quarters data. For the final trend factor calculation, actual data are used with a one year lag.]

~~Labor~~ The labor portion of the trend factor refers to the combined salary and fringe benefits components. Hence, the labor price movement is the salary price movement, adjusted by the Total Compensation Factor (TCF) and by the Regional Adjustment Factor (RAF).

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Non-Labor A number of different proxies are used to measure price movements in non-labor [~~related~~] expenses incurred by hospitals. In calculating the initial trend factors, an estimate of the non-labor component [~~of the trend factor~~] is made based upon the projection of the GNP Implicit Price Deflator. The final trend factor calculations are made using the actual changes in the non-labor proxies.

#### Groupings

As of the 1988 rate period, for purposes of trend factor calculations, the definition of a teaching hospital was modified to eliminate the requirement that the facility must have one approved residency program in surgery and one in internal medicine or family practice. The current definition requires only that the facility have a minimum of five approved residency programs.

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